

Press Release

Q2 2020: Impact COVID-19 less than expected, strong free cash flow

Amsterdam, 31 July 2020

Key points Q2 2020

- Revenue decrease ongoing business limited to 8% (yoy) to EUR 223 million
- Restructurings in DACH region and Americas to align to lower activity level and prepare for end date government relief in Germany
- Good performance in the Netherlands with strict bench and cost management
- Cost savings (14%) exceeding gross profit decline (-12%), annualised savings of EUR 30 million
- EBIT amounted to EUR 0.8 million (Q2 2019: EUR -0.5 million)

Key points H1 2020

- Revenue decrease ongoing business 1% (yoy) to EUR 480 million
- EBIT amounted to EUR 9 million
- Strong free cash flow of EUR 22 million, cash position at EUR 111.5 million

Jilko Andringa, CEO of Brunel International N.V.: *"During these tough times, which have significantly impacted our society, Brunel has shown to be very resilient. The impact of COVID-19 on our business in the quarter was less than initially expected. Our main priority was and remains the health and safety of our people, and I am proud to see that our employees and specialists continue to work diligently to serve our clients to the best of their ability, at our clients, from our offices where possible, or remote."*

In Q2, we continued to see project delays, reductions and cancellations due to the pandemic. The DACH region has seen the biggest impact and reports a loss in the quarter, which is also the result of seasonality and the first impact of a restructuring. The Netherlands is flattening out and shows improved profitability versus last year, through bench and cost management. Being active in a cyclical business, Brunel has great cost agility and can adjust costs levels where needed and we are prepared to organise ourselves as agile as needed in the coming quarters.

At the same time, we continue to execute our diversification strategy, and our sales teams continue to find new specialised client solutions that will help grow our business and increase our margins in the foreseeable future. The current circumstances bring even more internal awareness for the need to diversify and to become more specialised.

With the duration of the pandemic unknown, Brunel will continue to support its employees, specialists, clients and other stakeholders where possible, while maintaining a healthy financial basis and ensuring continued profitability and future returns to our shareholders. The second half of this year will be tough, but with the many great Brunellers around the world, we are ready to show our unique combined strength, short, medium and long term."

Brunel International (unaudited)

P&L amounts in EUR million

	Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
Revenue	223.4	258.1	-13% ^a	481.3	524.2	-8% ^b
Gross Profit	41.6	47.0	-12%	96.0	106.1	-10%
Gross margin	18.6%	18.2%		19.9%	20.2%	
Operating costs	40.8	47.5	-14% ^c	87.2	94.5	-8% ^d
EBIT	0.8	-0.5	259%	8.8	11.6	-24%
EBIT %	0.3%	-0.2%		1.8%	2.2%	
Average directs	10,345	12,607	-18%	10,896	12,797	-15%
Average indirects	1,480	1,650	-10%	1,524	1,630	-7%
Ratio direct / Indirect	7.0	7.6		7.2	7.9	

a -13 % at constant currencies

b -8 % at constant currencies

c -14 % at constant currencies

d -8 % at constant currencies

The COVID-19 outbreak and the sharp decline in oil price had an impact on the financial results in all our regions in Q2. Especially in April, when countries' lockdown measures were at the peak, we noted a strong decrease in activities at our clients, leading to a decrease in revenue in most regions. The revenue decline started to ease in May and June.

The Group's Q2 revenue excluding BIS decreased by 8%, mainly due to the decrease in the DACH region. The Middle East & India and Rest of the World regions showed growth year-on-year in Q2. For H1, we see revenue growth in the regions Australasia, Middle East & India, Rest of the World and the Americas.

We have taken various cost saving measures in most of our regions, to make sure we organise ourselves as flexible as we can, while in the regions in which we continue to experience revenue growth, we retain the capacity to grasp new opportunities. In the DACH region and the Americas, where we expect the revenue decline to continue, we have executed our restructuring plans to adjust our organisations. As a result of the cost saving initiatives that are already executed, the Group's operating costs in Q4 will be 15% lower compared to Q1, annualised a cost saving of EUR 30 million.

The Q2 EBIT for the Group was higher than last year. Excluding BIS the EBIT decreased by EUR 4.7 million (-83%), mainly due to the decrease in the DACH region of EUR 4.9 million. In absolute amounts, the other regions achieved small decreases or slight growth in EBIT compared to Q2 2019.

H1 2020 results by division

P&L amounts in EUR million

Summary:

Revenue	Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
DACH region	52.8	69.6	-24%	122.4	143.2	-15%
The Netherlands	46.4	51.9	-11%	97.2	106.3	-9%
Australasia	28.4	28.6	-1%	58.4	57.3	2%
Middle East & India	30.0	28.6	5%	63.7	55.6	15%
Americas	23.0	25.8	-11%	51.6	48.1	7%
Rest of world	42.8	39.4	9%	87.2	76.2	14%
Subtotal	223.3	243.8	-8%	480.4	486.7	-1%
BIS	0.1	14.2	-100%	0.9	37.6	-98%
Total	223.4	258.1	-13%	481.3	524.2	-8%

EBIT	Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
DACH region	-0.6	4.3	-115%	3.4	12.8	-73%
The Netherlands	1.7	1.6	7%	4.9	4.4	11%
Australasia	-0.3	-0.4	34%	-0.3	-1.0	69%
Middle East & India	1.9	2.3	-18%	5.1	5.2	-1%
Americas	-0.7	0.0		-1.4	0.3	
Rest of world	0.8	-0.3		1.9	-0.6	
Unallocated	-1.8	-1.8	-2%	-4.4	-4.2	-4%
Subtotal	1.0	5.7	-83%	9.2	16.9	-46%
BIS	-0.2	-6.2	97%	-0.3	-5.3	93%
Total	0.8	-0.5	259%	8.8	11.6	-24%

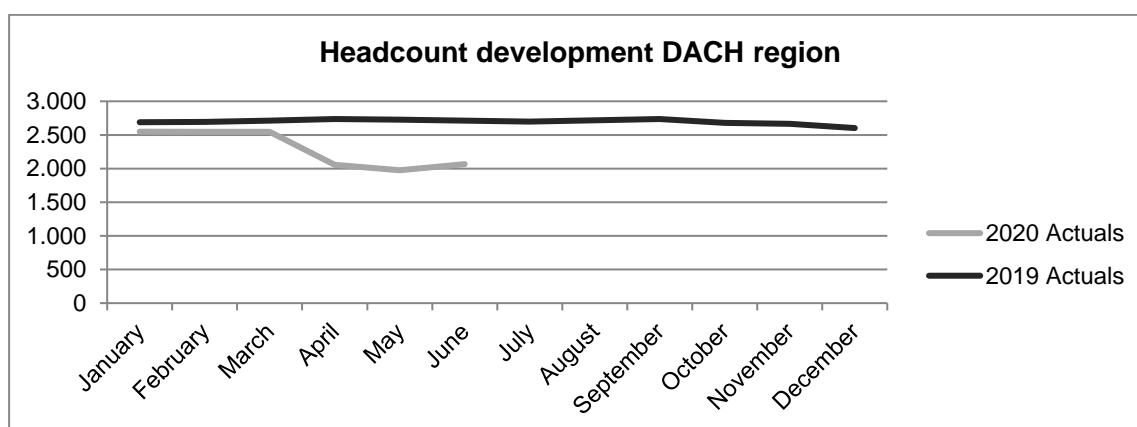
DACH region (unaudited)

P&L amounts in EUR million

	Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
Revenue	52.8	69.6	-24%	122.4	143.2	-15%
Gross Profit	14.3	20.6	-31%	35.6	45.4	-21%
Gross margin	27.1%	29.6%		29.1%	31.7%	
Operating costs	14.9	16.3	-9%	32.2	32.6	-1%
EBIT	-0.6	4.3	-115%	3.4	12.8	-73%
EBIT %	-1.2%	6.2%		2.8%	9.0%	
Average direct	2,032	2,725	-25%	2,290	2,712	-16%
Average indirect	481	516	-7%	496	509	-3%
Ratio direct / Indirect	4.2	5.3		4.6	5.3	

Revenue

As anticipated, revenue and gross margin decreased due to the lower headcount and lower productivity for all components within the DACH region. Short-time working (Kurzarbeit) is still in place for 500 professionals. The short-time working option can be used per office until 31 December 2020, but is conditional on meeting certain requirements. With the expected development in the remainder of the year, we are planning to decrease the usage of this facility, which will likely result in a higher than normal bench for H2 2020.



Headcount as of 30 June 2020 was 2,064.

Working days Germany:

	Q1	Q2	Q3	Q4	FY
2020	64	59	66	65	254
2019	63	59	66	62	250

Gross profit

Cost of sales includes savings of EUR 6 million relating to the use of the short-time working relief plan. Adjusted for working days, H1 gross profit decreased by 24%. The gross margin adjusted for working days in H1 is 28.6% (2019: 31.7%).

Operating costs

Operating costs include savings of EUR 1 million relating to the use of the short-time working relief plan, as well as EUR 0.8 million of restructuring cost. Overall, operating costs in Q2 decreased by 9%. H1 operating costs decreased by 1%. We have executed a restructuring to offset the expected further

decline in revenue, and to plan for the expected end date of the relief plan, leading to further cost savings.

Brunel Netherlands (unaudited)

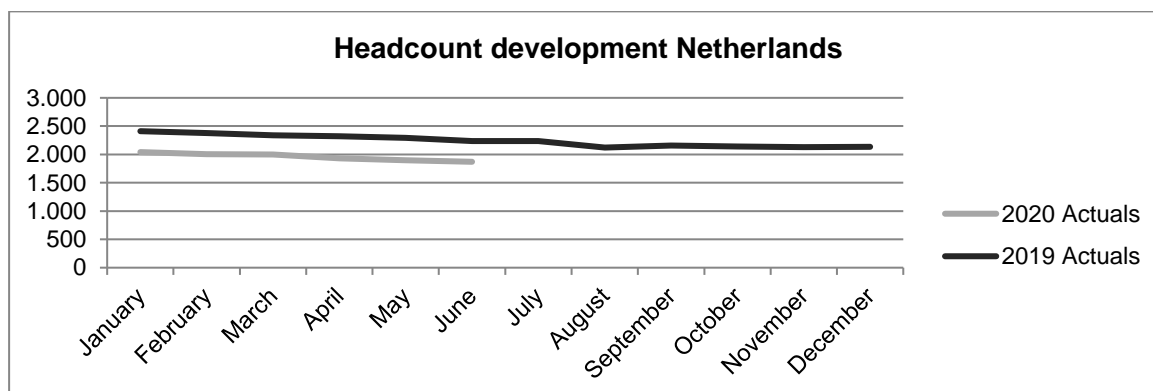
P&L amounts in EUR million

	Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
Revenue	46.4	51.9	-11%	97.2	106.3	-9%
Gross Profit	11.5	13.2	-13%	25.6	28.3	-10%
Gross margin	24.7%	25.4%		26.3%	26.6%	
Operating costs	9.8	11.6	-16%	20.7	23.9	-13%
EBIT	1.7	1.6	7%	4.9	4.4	11%
EBIT %	3.6%	3.0%		5.0%	4.1%	
Average direct	1,899	2,284	-17%	1,957	2,330	-16%
Average indirect	343	417	-18%	355	423	-16%
Ratio direct / Indirect	5.5	5.5		5.5	5.5	

Revenue

Q2 revenue per working day in the Netherlands decreased by 8.3%, with the decrease in headcount partly offset by higher rates. Although many projects continued unchanged (with people working from home), there was a decrease in the number of new projects.

We applied for the Dutch government relief plan (NOW-regeling), and received advance payments. At the time of the application, the application was submitted as a precaution as we could not make an exact assessment of the impact. With the impact currently less than anticipated, the application has been withdrawn and the advances have been repaid.



Headcount as of 30 June 2020 was 1,871.

Working days per Q 2020 / 2019:

	Q1	Q2	Q3	Q4	FY
2020	64	60	66	65	255
2019	63	62	66	64	255

Gross Profit

Q2 2020 had 2 less working days compared to 2019. The gross margin adjusted for working days in Q2 is 26.6% (2019: 25.4%). The gross margin adjusted for working days increased by 1.2 ppt.

H1 2020 had 1 less working day compared to 2019. The gross margin adjusted for working days increased by 0.2 ppt. mainly due to higher rates and slightly higher productivity.

Operating costs

In Q2 the operating costs decreased by EUR 1.8 million, following cost saving initiatives and a reduction of indirect headcount.

Australasia (unaudited)

P&L amounts in EUR million

	Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
Revenue	28.4	28.6	-1% ^a	58.4	57.3	2% ^b
Gross Profit	2.2	2.4	-6%	4.8	4.7	1%
Gross margin	7.8%	8.3%		8.2%	8.2%	
Operating costs	2.5	2.8	-11% ^c	5.1	5.7	-11% ^d
EBIT	-0.3	-0.4	34%	-0.3	-1.0	69%
EBIT %	-0.9%	-1.4%		-0.5%	-1.7%	
Average direct	1,040	908	15%	1,049	908	16%
Average indirect	83	85	-2%	82	85	-3%
Ratio direct / Indirect	12.5	10.7		12.7	10.7	

a 1 % at constant currencies

b 6 % at constant currencies

c -8 % at constant currencies

d -7 % at constant currencies

Revenue

Australasia, which includes Australia and Papua New Guinea, managed to keep revenue stable compared to a year earlier. The region continues to see opportunities, although it currently experiences some impact of travel restrictions and cost saving initiatives at clients.

Gross Profit

The decreased gross margin is mainly the result of an adverse development in the exchange rate for the activities in Papua New Guinea (impact -0.4 ppt.).

Operating costs

In Q2, the operating costs decreased by 11%, mainly as a result of several cost saving initiatives.

Middle East & India (unaudited)

P&L amounts in EUR million

	Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
Revenue	30.0	28.6	5% ^a	63.7	55.6	15% ^b
Gross Profit	4.5	5.2	-13%	10.4	10.0	4%
Gross margin	15.0%	18.0%		16.3%	17.9%	
Operating costs	2.6	2.9	-10% ^c	5.3	4.8	10% ^d
EBIT	1.9	2.3	-18%	5.1	5.2	-1%
EBIT %	6.3%	8.0%		8.0%	9.3%	
Average directs	2,506	3,697	-32%	2,608	3,815	-32%
Average indirects	141	137	3%	144	133	8%
Ratio direct / Indirect	17.8	27.0		18.2	28.6	

^a 4 % at constant currencies

^b 13 % at constant currencies

^c -9 % at constant currencies

^d 9 % at constant currencies

Revenue

In Q2 2020, the region continued to deliver a strong performance and attained 5% higher revenue compared to Q2 2019. Qatar is the main contributor to the increase, partially offset by lower revenue in other countries of the region. The activities in the Middle East are heavily dependent on our ability to mobilise specialists to the Middle East. We do have a healthy pipeline of projects, however the starting moment of these projects is uncertain due to the current travel restrictions.

Gross Profit

The gross margin has reduced following a reduction in our services due to the challenging environment. We have also seen some margin pressure and a change in the mix of clients.

Operating costs

Operating costs decreased by 10% as a result of various cost saving measures.

Americas (unaudited)

P&L amounts in EUR million

	Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
Revenue	23.0	25.8	-11% ^a	51.6	48.1	7% ^b
Gross Profit	2.5	3.0	-18%	5.7	5.9	-3%
Gross margin	10.7%	11.6%		11.0%	12.2%	
Operating costs	3.2	3.0	7% ^c	7.1	5.6	27% ^d
EBIT	-0.7	0.0		-1.4	0.3	
EBIT %	-3.0%	0.1%		-2.8%	0.7%	
Average directs	747	856	-13%	812	827	-2%
Average indirects	102	130	-21%	112	127	-12%
Ratio direct / Indirect	7.3	6.6		7.3	6.5	

a -7 % at constant currencies

b 9 % at constant currencies

c 10 % at constant currencies

d 30 % at constant currencies

Revenue

While we still saw growth in Q1, revenue has decreased over Q2, mainly caused by a high number of projects that have been stopped or paused in the US. Canada, Brazil and Mexico still managed to achieve growth.

Gross Profit

The gross margin and gross profit are impacted by a lower recruitment revenue. Adjusted for the impact of the lower recruitment revenue, the gross margin is at the same level as in Q2 2019.

Operating costs

We reduced our cost level and aligned the organisation with the expected lower business volume. This already resulted in a cost decrease of 20% when compared to Q1 2020, and we expect to see the full impact of these measures in Q3 of this year.

Rest of world (unaudited)

P&L amounts in EUR million

	Q2 2020	Q2 2019	Δ%	H1 2020	H1 2019	Δ%
Revenue	42.8	39.4	9% ^a	87.2	76.2	14% ^b
Gross Profit	6.7	6.1	10%	14.0	11.7	19%
Gross margin	15.6%	15.5%		16.0%	15.4%	
Operating costs	5.9	6.4	-8% ^c	12.1	12.3	-2% ^d
EBIT	0.8	-0.3		1.9	-0.6	
EBIT %	2.0%	-0.6%		2.2%	-0.8%	
Average directs	2,105	1,837	15%	2,150	1,818	18%
Average indirects	264	290	-9%	270	283	-5%
Ratio direct / Indirect	8.0	6.3		8.0	6.4	

^a 9 % at constant currencies

^b 14 % at constant currencies

^c -7 % at constant currencies

^d -2 % at constant currencies

Revenue

Rest of World includes Russia & Caspian, Belgium and Asia. Total revenue in the region increased, mainly driven by growth in China, while Russia and Belgium saw declines in revenue over the quarter.

Gross Profit

The gross margin in the region in Q2 was in line with Q2 2019.

Operating costs

The operating costs in the rest of world decreased mainly as a result of government relief plans in Asia and cost saving initiatives.

Asia is the main contributor to the higher EBIT.

Closure of Brunel Industry Services

Early July, we finalised our work on the only remaining project of Brunel Industry Services in the US, which we decided to terminate in October 2019. During the quarter, we have been able to collect most receivables and terminated the remaining leases, and we will continue to employ a small group of people in Q3 to deal with the final financial settlement, mainly the collection of the agreed amounts.

Effective tax rate

The effective tax rate in the first half year of 2020 was 56.4% (2019 at 52.0%). We expect the effective tax rate for the full year to come down to around 50%.

Risk profile

Our company's risk profile as presented in our 2019 Annual Report (pages 52 – 73) is impacted by the COVID-19 crisis in different ways. The crisis brings increased uncertainty in areas such as: workplace health & safety, changing regulatory and economical environment, contract liability & delivery, credit risk, information technology and cyber security and tax and labor law compliance. We have implemented processes and procedures to deal with these increased uncertainties to the extent possible under the current circumstances. For example: our health & safety procedures for all our staff, credit management, and information security measures, are re-evaluated based on emerging risks from this pandemic and are continuously being upgraded where needed. These evaluations and adjustments are part of our continuous monitoring processes and operational flexibility, which include international exchange of protocols and good practices between our operating companies in all mentioned areas. The crisis has also brought opportunities for acceleration of our digital transformation, where for example clients have been working with us over the past months to further digitalise exchange of data to improve efficiency in their and our processes.

We continue to closely monitor the key risks and opportunities, and will respond appropriately to any emerging risk. We have a wide geographical coverage, which spreads our exposure across mature and emerging markets, which are experiencing different economic conditions. Since it remains difficult to predict future economic developments, we focus on responding to actual performance in each of our local markets. Our business model, processes and weekly indicators help to ensure that we are flexible enough to respond to these economic conditions.

Cash position

Brunel was able to attain a strong free cash flow of EUR 22 million over Q2. This results in an increased cash position of EUR 111.5 million (EUR 96.8 million non-restricted).

Outlook for 2020

We expect the impact of COVID-19 on our society and the global economy to continue. In the DACH region, we do not see signs of a recovery yet and we expect productivity to be under pressure due to the reduction of the use of short-time working towards the end of the year.

In the Netherlands, headcount is stabilising. The second half of the year might see some lower productivity because of postponed vacations of our specialists.

Activities in Australasia are expected to remain pretty stable, with the results supported by further cost savings.

The restructuring positions the Americas well to recover quickly once the COVID-19 situation eases.

In the Middle East & India and in the Rest of the World we have secured new projects through our improved sales activities, but the start of these are dependent on an ease in flight and travel restrictions. If we are not able to mobilise our specialists, we might experience a small decrease due to projects that are finalising.

Overall, we expect slightly lower revenue in Q3 (compared to Q2), but at a higher profitability, due to the cost measures taken, as well as due to seasonality.

Statement of the Board of Directors

The Board of Directors of Brunel International N.V. hereby declares that, to the best of its knowledge:

- the interim financial statements give a true and fair view of the assets, liabilities, financial position and result of Brunel International N.V. and the companies jointly included in the consolidation, and
- the interim report gives a true and fair view of the information referred to in the eighth and, insofar as applicable, the ninth subsection of Section 5:25d of the Dutch Act on Financial Supervision and with reference to the section on related parties in the interim financial statements.

Amsterdam, 31 July 2020

Brunel International N.V.

Jilko Andringa (CEO)

Peter de Laat (CFO)

Graeme Maude (COO)

Not for publication

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Brunel International N.V. is an international service provider specialising in the flexible deployment of knowledge and capacity in the fields of Engineering, Oil & Gas, Aerospace, Automotive, ICT, Finance, Legal and Insurance & Banking. Services are provided in the form of Project Management, Secondment and Consultancy. Incorporated in 1975, Brunel has since become a global company with over 12,900 employees and annual revenue of EUR 1.0 billion (2019). The company is listed at Euronext Amsterdam N.V. For more information on Brunel International N.V. visit our website www.brunelinternational.net.

Financial Calendar

30 October 2020 Trading update for the third quarter 2020

Certain statements in this document concern prognoses about the future financial condition and the results of operations of Brunel International N.V. as well as plans and objectives. Obviously, such prognoses involve risks and a degree of uncertainty since they concern future events and depend on circumstances that will apply then. Many factors may contribute to the actual results and developments differing from the prognoses made in this document. These factors include general economic conditions, a shortage on the job market, changes in the demand for (flexible) personnel, changes in employment legislation, future currency and interest fluctuations, future takeovers, acquisitions and disposals and the rate of technological developments. These prognoses therefore apply only on the date on which the document was compiled.

The financial figures as presented in this press release are unaudited.

Appendix to the press release 31 July 2020

Interim figures first half 2020

Financial Highlights for the period ended 30 June (unaudited) (EUR '000)

	H1 2020	H1 2019	Δ%
Revenue	481,265	524,244	-8%
Gross Profit	95,988	106,146	-10%
EBIT	8,818	11,594	-24%
Group result after tax	3,624	5,080	-29%
Non-controlling interests	-1,103	500	-321%
Net result for the year	2,521	5,580	-55%
Gross profit as % of revenue	20%	20%	
Net result as % of revenue	1%	1%	

Workforce

Average directs (average-YTD)	10,896	12,797	-15%
Average indirects (average-YTD)	1,524	1,630	-7%
Total	12,420	14,427	-14%
Direct employees (period end)	10,159	12,556	-19%
Indirect employees (period end)	1,441	1,658	-13%
Total	11,600	14,214	-18%

Earnings per share (in euro)

Earnings per share for ordinary shareholders	0.05	0.11	
Diluted earnings per share	0.05	0.11	
Weighted average number of ordinary shares for the purpose of basic earnings per share	50,574,624	50,574,624	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	50,574,624	50,574,624	

Consolidated profit & loss account for the period ended 30 June (unaudited)
(EUR '000)

	H1 2020	H1 2019	Δ%
Revenue	481,265	524,244	-8%
Direct personnel expenses	385,277	418,098	-8%
Gross Profit	95,988	106,146	-10%
Indirect personnel expenses	56,961	62,593	-9%
Depreciation and amortisation	10,348	11,279	-8%
Other expenses	19,861	20,680	-4%
Total operating costs	87,170	94,552	-8%
EBIT	8,818	11,594	-24%
Financial income and expenses	-492	-1,018	52%
Group result before tax	8,326	10,577	-21%
Income tax	4,702	5,497	-14%
Group result after tax	3,624	5,080	-29%

Attributable to:

Net income attributable to equity holders of the parent (ordinary shares)	2,521	5,580	-55%
Net income attributable to non-controlling interest	1,103	-500	321%
Group result after tax	3,624	5,080	-29%

Consolidated statement of comprehensive income for the period ended 30 June (unaudited)
(EUR '000)

	H1 2020	H1 2019
Net profit	3,624	5,080
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	-4,454	2,759
Income tax relating to components of other comprehensive income	30	-84
Total other comprehensive income (net of tax)	-4,424	2,675
Total comprehensive income	-800	7,755
Attributable to:		
Ordinary shareholders	-1,909	8,232
Non-controlling interests	1,109	-477
Total comprehensive income	-800	7,755

Consolidated balance sheet (unaudited) (EUR '000)

	30 June 2020		31 December 2019	
Non-current assets				
Goodwill	8,484		8,609	
Other intangible assets	9,707		10,953	
Property, plant and equipment	8,816		7,988	
Right-of-use assets	39,538		40,670	
Financial assets	-		-	
Non-current restricted cash	4,892		7,293	
Deferred income tax assets	13,126		13,417	
Total non-current assets		84,563		88,930
Current assets				
Trade and other receivables	244,109		261,075	
Income tax receivables	2,591		2,844	
Restricted cash	9,788		7,738	
Cash and cash equivalents	96,824		76,890	
Total current assets		353,312		348,547
Total assets		437,875		437,477
Non-current liabilities				
Provisions	5,215		5,163	
Deferred income tax liabilities	110		317	
Lease liability - non-current portion	27,783		27,595	
Long-term liabilities	-		-	
Total non-current liabilities		33,108		33,075
Current liabilities				
Lease liability - current portion	12,964		14,942	
Current liabilities	117,628		111,313	
Income tax payables	3,349		4,312	
Total current liabilities		133,941		130,567
Total liabilities		167,049		163,642
Net assets		270,826		273,835
Group equity				
Share capital	1,517		1,517	
Share premium	86,145		86,145	
Reserves	186,139		186,743	
Unappropriated result	2,521		3,825	
Shareholders' equity		276,322		278,230
Non-controlling interest	-5,496		-4,395	
Total equity		270,826		273,835

Consolidated statement of changes in shareholders' equity (unaudited) (EUR '000)

	2020			2019		
	Attributable to ordinary shareholders	Non-controlling interest	Total	Attributable to ordinary shareholders	Non-controlling interest	Total
Balance at 31 December	278,230	-4,395	273,835	282,766	673	283,439
Net income	2,521	1,103	3,624	5,580	-500	5,080
Exchange differences arising on translation of foreign operations	-4,460	6	-4,454	2,736	23	2,759
Income tax relating to components of other comprehensive income	30	-	30	-84	-	-84
Total comprehensive income	-1,909	1,109	-800	8,232	-477	7,755
Cash dividend	-	-2,210	-2,210	-12,644	-1,685	-14,329
Change in IFRS accounting policies	-	-	0	831	0	831
Balance at 30 June	276,322	-5,496	270,826	279,185	-1,489	277,696

Consolidated Cash flow statement (unaudited) (EUR '000)

* € 1,000	Actual H1 2020	Actual H1 2019
Cash flow from operating activities		
Result before tax	8,326	10,577
Adjustments for:		
Depreciation and amortisation	10,348	11,279
Interest income	-290	-236
Interest expense	378	719
Other non-cash expenses	0	29
Changes in:		
Receivables	10,370	-40,123
Provisions	69	314
Other current liabilities	10,836	340
Restricted cash	350	-4,998
	21,625	-44,467
Income tax paid	-5,487	-7,490
Interest paid	-22	-26
Interest received	138	125
Cash flow from operating activities	35,017	-29,490
Cash flow from investing activities		
Additions to property, plant and equipment	-1,957	-1,249
Additions to intangible fixed assets	-1,082	-1,570
Disposals of property, plant and equipment	5	3
	-3,034	-2,816
Cash flow from financing activities		
Dividend non-controlling interest	-2,210	0
Dividend ordinary shareholders	0	-11,878
Repayments of lease liabilities	-7,955	-7,180
	-10,165	-19,058
Total cash flow	21,816	-51,365
Cash position at 1 January	76,891	91,693
Exchange rate fluctuations	-1,883	998
Cash position at 30 June	96,824	41,327

Notes to the condensed consolidated financial statements for the period ended 30 June (unaudited)

Reporting entity

Brunel International N.V. is a public limited liability company incorporated and domiciled in the Netherlands and listed on Euronext Amsterdam.

The consolidated interim financial statements of Brunel International N.V. as at and for the six-month period ended 30 June 2020 include the company and its subsidiaries (together called 'the Group').

Significant accounting policies

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (hereinafter: IFRS).

The accounting policies applied by the Group in these consolidated interim financial statements are unchanged from those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2019, except for the new accounting policy disclosed below.

Accounting policy for government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Government grants where the primary condition is that Brunel should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the annual accounts and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Brunel with no future related costs are recognised in profit or loss in the period in which they become receivable.

Basis of preparation

These consolidated interim financial statements have been condensed and prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. These interim financial statements do not include all of the information required for annual financial statements, and should be read in conjunction with the annual report of the Group as at and for the year ended 31 December 2019.

Estimates

The preparation of consolidated interim financial statements requires the Group to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing these consolidated interim financial statements, the significant judgments, estimates and assumptions were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2019.

Our businesses were negatively impacted by the COVID-19 crisis in the quarter ended 30 June 2020. We consider the disruption in our markets due to COVID-19 as a triggering event that goodwill and other assets might be impaired.

Fair value and fair value estimation

The fair values of our monetary assets and liabilities as at 30 June 2020 are estimated to approximate their carrying value.

Seasonality

Our activities in Europe are affected by seasonal patterns. Revenue and gross margin fluctuate per quarter in items such as the number of working days, public holidays and holiday periods. The business in Europe usually generates its strongest revenue and profits in the second half of the year.

Effective tax rate

The effective tax rate for the six-month period ended 30 June 2020 is 56.4% (H1 2019: 52.0%), and is based on the estimated average annual tax rate for the whole year 2020 (actual effective tax rate for FY 2019: 99.2%).

Share capital

The authorised share capital is EUR 5,998,000, divided into one priority share with a nominal value of EUR 10,000 and 199.6 million ordinary shares with a nominal value of EUR 0.03. The subscribed capital consists of 50,574,624 ordinary shares.

Number of shares issued as at 31 December	50,574,624
Shares issued in period ended 30 June 2020	-
Number of shares issued as at 30 June 2020	50,574,624

Dividend

Capital preservation is one of our key priorities at the moment, as it is impossible to predict the length and depth of the situation regarding COVID-19. Notwithstanding the fact that Brunel currently has sufficient liquidity to pay its dividend, given the lack of visibility over the likely duration of the pandemic and the volatility in the markets, we have decided to take a prudent approach and cancel the proposed dividend for the financial year 2019.

Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	H1 2020	H1 2019
Weighted average number of ordinary shares for the purpose of basic earnings per share	50,574,624	50,574,624
Effect of dilutive potential ordinary shares from share based payments	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	50,574,624	50,574,624

Restricted cash

In 2020, current portion of restricted cash has been reclassified from cash and cash equivalents. To be consistent, the same reclassification has been made in our balance per 31 December 2019. The consolidated cash flow statement has also been updated accordingly.

Goodwill

The Company performs its goodwill impairment test at least annually in December and when circumstances indicate the carrying value may be impaired. Given the outbreak of COVID-19 and the negative impact on the wider economy, we have noticed a significant deterioration in economic conditions, and an increase in economic uncertainty, that might have an impact on our business. These adverse developments triggered us to perform an impairment test on 30 June 2020.

The goodwill impairment test was primarily focused on those cash-generating units that were most sensitive for goodwill impairments in last year's annual impairment test. Thus, the test has been performed for the Americas and Australasia cash-generating units. As the DACH region cash-generating unit had significant headroom during year-end 2019, we performed a more qualitative analysis of the long-term impact of the current COVID-19 crisis, which resulted in no additional quantitative testing needed.

The recoverable amount of the main cash-generating units for which goodwill is capitalised is based on value in use. The value in use is determined by means of cash flow projections based on the actual operating results adjusted for non-cash items (mainly depreciation) and the expected future performance. The latter is based on management's estimates and assumptions of revenue growth and development of operating margins, assessed with external data.

Key assumptions for 2020-2024 (2020-2024) used in calculation of the value in use for the cash-generating unit Brunel Americas are:

	2020	2019
Revenue growth	12%	19%
Budgeted contribution margin	11.9%	11.9%
Operating costs increase	4%	4%
Terminal growth rate	2.0%	2.0%
Pre tax discount factor	12.0%	13.8%
Depreciations and investments plans	Depreciations are used for new or replacing investments	Depreciations are used for new or replacing investments

Key assumptions for 2020-2024 (2020-2024) used in calculation of the value in use for the cash-generating unit Brunel Australasia are:

	2020	2019
Revenue growth	10%	10%
Budgeted contribution margin	8.5%	8.5%
Operating costs increase	3%	3%
Terminal growth rate	2.0%	2.0%
Pre tax discount factor	13.2%	14.4%
Depreciations and investments plans	Depreciations are used for new or replacing investments	Depreciations are used for new or replacing investments

The sensitivity test showed that a reasonably possible change in any of the above-mentioned key assumptions, as well as other assumptions in the forecasted period, would not cause the value in use to fall below the level of the carrying value. No impairment charge was recorded in H1 2020.

Government employment protection programs

In various countries, governments have put in place a wide variety of employment protection programs exceptionally allowing for partial or full reduction of working hours or compensation for personnel costs. This compensates for (part of) salaries and/or social security charges of the employees impacted (for instance Germany, Austria, Switzerland, Singapore, China and the UK).

We have accounted for these programs in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. These employment protection programs reduced our operating expenses by EUR 1.4 million for the period. We also made use of government programs relating to our direct employees. The total effect of these programs on our direct personnel expenses amounted to EUR 6.1 million.

In the Netherlands, the Company has received an advance for the government relief plan of EUR 5.1 million, that has been repaid since we did not meet the requirements.

Segment reporting (unaudited)

Reportable segments

(EUR '000)

	<u>Revenue</u>		<u>EBIT</u>		<u>Total assets</u>	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
DACH region	122,360	143,198	3,399	12,819	103,497	96,391
The Netherlands	97,175	106,344	4,874	4,376	57,568	60,051
Australasia	58,354	57,265	-291	-951	37,023	36,772
Middle East & India	63,723	55,585	5,124	5,174	74,643	67,103
Americas	51,589	48,063	-1,446	318	32,437	32,601
Rest of world	87,197	76,211	1,896	-624	103,871	94,226
Unallocated	-	-	-4,390	-4,237	21,269	9,555
Subtotal	480,398	486,666	9,166	16,875	430,308	396,699
BIS	867	37,578	-348	-5,281	7,567	37,085
Total	481,265	524,244	8,818	11,594	437,875	433,784

Employees

The total number of direct and indirect employees with the group companies is set out below:

Average workforce	H1 2020		H1 2019	
	Direct	Indirect	Direct	Indirect
DACH region	2,290	496	2,712	509
The Netherlands	1,957	355	2,330	423
Australasia	1,049	82	908	85
Middle East & India	2,608	144	3,815	133
Americas	812	112	827	127
Rest of world	2,150	269	1,816	283
Unallocated	-	60	-	51
Subtotal	10,866	1,518	12,408	1,611
BIS	30	6	389	19
Total	10,896	1,524	12,797	1,630
Total workforce	12,420		14,427	

Workforce at 30 June	2020		2019	
	Direct	Indirect	Direct	Indirect

DACH region	2,064	467	2,714	524
The Netherlands	1,871	333	2,239	411
Australasia	986	82	930	83
Middle East & India	2,424	134	3,773	141
Americas	713	102	864	131
Rest of world	2,093	261	1,818	289
Unallocated	-	59	-	52
Subtotal	10,151	1,438	12,338	1,630
 BIS	 8	 3	 218	 28
Total	10,159	1,441	12,556	1,658
 Total workforce	 11,600		 14,214	

Other segment information (unaudited)

(EUR '000)

	Revenue	
	H1 2020	H1 2019
Oil & Gas	214,568	204,677
Automotive	41,055	52,387
Infrastructure	26,045	32,128
Mining	26,304	28,593
Engineering	94,229	138,975
Other	79,065	67,484
Total	481,265	524,244

Auditor's involvement

The consolidated interim financial statements have not been audited or reviewed by an external auditor.